Taxonomy of Relationship Marketing Theories

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A customer-centric marketing strategy relies on the creation of value for the customer and the generation of value in return for the firm (Gupta & Lehmann, 2003). Seminal and contemporary philosophies of relationship marketing have populated scholarly journals and media for more than 50 years, addressing activities, strategies and behaviors of customer-centered firms.

This document presents a taxonomy of 20 relationship marketing theories and models that incorporate grounded theory and theoretical frameworks addressing different aspects of customer relationship marketing. An exploration of the works of Armstrong and Kotler (2008), Best (2009), Levitt (1960), King (1964), Reichheld et al (2000), Gupta & Lehmann (2003;2006); Peter & Donnelly (2006); Peppers & Rogers (2006), Remartz & Kumar (2002); Seidman (2008) and other practitioners and leaders in customer relationship is included.

The philosophies were organized in nine categories: Marketing concept, market segmentation, target marketing, value delivery, behavioral models, target marketing, pricing, communication, market research, and channel management. More than 30 references accompany this work combining original treaties, scholarly journals and meta-analyses.

Taxonomy of Relationship Marketing Theories

I. Marketing Concept -Theoretical Frameworks

Theory	Description	Examples of the Theory	Additional Attributes
1. Model of the Marketing Process *(Armstrong & Kotler, 2008)*	Based on the seminal work of King (1964) this expanded model of the marketing process (Armstrong & Kotler, 2008) comprises five phases, the first four provide value to the customers and the fifth deals with capturing value in return. Phase one: Understanding needs and wants through market research and information systems. Phase 2: Designing customer-driven marketing strategies based on proper segmentation, targeting, differentiation and positioning.	Wells Fargo has developed a customer relationship program that moves unprofitable new accounts to a new level of profit by engaging customers in a relationship *"not pushing products"*(Best, 2009, p. 163). AT&T uses a combination of electronic communication and direct mail, enhanced with PURLs or personal URLs created for each customer, so account managers are able to provide customized solutions	The value proposition is the concrete expression of the willingness and commitment of the firm to create value even in cases when customers do not know what their needs are (Armstrong & Kotler, 2008). When firms lead customers to the satisfaction of their needs they use "customer-driving marketing" .

	Phase 3: Integrated marketing programs for value creation (4Ps). Phase 4: Building and managing customer relationships. Phase 5: Capturing value and achieving loyalty, market share and customer life-time value (Armstrong & Kotler, 2008).	(Glagowski, 2008).	
2. The Marketing Concept *(AMA, 2007; Armstrong & Kotler, 2008; Peter & Donnelly, 2006)*	Marketing is defined differently across the literature. AMA (2007) stated: “the activity, set of institutions and processes for creating, communication, delivering, and exchanging offerings that have value for customers, clients, partners, and society at-large”. Armstrong & Kotler (2008) defines it as “managing profitable customer relationships” (p. 5).	Unilever’s Dove is an example of the use of the marketing concept to refresh the brand image of Dove (Gaffney, 2008). Their campaign had as objective to develop brand awareness in a highly competitive market but overall, connected with customers by showing images of ordinary women as the profile of	Customer-driven firms align all levels of the organization to the value concept. Failing to do so is what Levitt (1960) called “marketing myopia” or the tendency of firms to focus on the product that is offered rather than to the needs of the customer. Marketing concept differs from

	The shift in this definition started in the 80s when relationship marketing arose purporting a philosophy where customers' needs and wants are understood to deliver value relatively better than their competitors and capture value from the customers in return (Armstrong & Kotler, 2008, p. 11). Implications of the new marketing concept reach out to customer acquisition programs (Dwyer, 1989), customer satisfaction (Naumanmn & Jackson, 1999), customer retention (Best, 2009) marketing valuation (Gupta & Lehmann, 2003) and market intelligence (Peppers & Rogers, 2006).	beauty. This customer-driven strategy was based on surveys, focus groups and intensive market research developing the "antibranding" concept and authenticity (Gaffney, 2008). The result: 12.5% increase in sales in 2005 in a combination of customer acquisition, customer retention and word of mouth (Gaffeny, 2008) that impacted societal marketing, too.	the *selling concept*, focused on meeting sale budgets; or from the *production concept* aimed at offering affordability regardless of value. It also overrides the *product concept* where the interest in quality and continuous improvement ignores adding value through effective pricing and promotion. If the marketing concept is linked to *societal marketing*, firms will be able to satisfy both individual and society's needs.

II. Market Segmentation Theories

Theory	Description	Examples of the Theory	Additional Attributes
3. Segmentation Strategies (Best, 2009; Armstrong & Kotler, 2008)	A customer-driven marketing strategy requires dividing the market in segments (Armstrong & Kotler, 2008). An effective segmentation starts with a needs-assessment, identifying the customer problem and the benefits pursued by the customer (Best, 2009). Best (2009) proposes seven segmentation strategies based on the value proposition: 1. Mass market strategy 2. Large-segment strategy 3. Adjacent- segment strategy 4. Multi-segment strategy 5. Small-segment strategy	The multi-segment strategy suggests a combination of tiers of segmentation with specific strategies of price and promotion (Best, 2009). Examples of multi-segmentation are provided by PRIZM from CLARITAS consulting. This segmentation divides the U.S. in 66 neighborhoods based on consumption patterns and social and economic tiers (CLARITAS, 2008). Example of adjacent-segment strategy is Toyota, with models for all levels of perceived quality and all	A sound segmentation enables an effective targeting and gives direction to differentiation and position, the four elements of a customer-driven marketing strategy (Armstrong & Kotler, 2008). Best (2009) cautions about the *demographic trap*, the tendency of assuming that lifestyle, demographics and usage are the main factors to explain customer needs. The attractiveness of a segment is given by three factors (Best, 2008,

	6. Niche-segment strategy 7. Sub-segment strategy. Firms choose segments based on their attractiveness and profitability (Best, 2009). Profitability is measured by the Marketing contribution as follows: Net marketing contribution= Segment demand x segment share x price per unit x percent margin – marketing expenses.	price levels, from Yaris to Prius (Best, 2009). This strategy is used when firms have reached full penetration in a given segment.	p. 150): • Market growth • Competitive intensity • Market access An effective segmentation must be measurable, accessible, substantial, differentiable and actionable (Armstrong and Kotler, 2008, p. 178).

III. Value Delivery Theories

Theory	Description	Examples of the Theory	Additional Attributes
4. Customer Relationships Marketing Strategies (Renartz & Kumar, 2002; Peppers &	*Customer relationship marketing* is a framework of one-on-one relationships that starts after a customer has been acquired to create lifelong partners (Best, 2009; Peppers & Rogers, 2006).	CRM programs assist in the construction of customized relationships with individual customers. Marriott uses CRM to manage their relationships with a	A study by Renartz and Kumar (2002, as cited in Armstrong & Kotler, 2008) classifies *customer relationship groups* based on variables of profitability and

Rogers, 2006)	The strategies of customer relationship marketing may be explained by a model where company value and customer value are directly related. As customer value increases and the firm value increases, the firm transitions through three segment marketing strategies (mass-market, core-segment and sub-segment). At an advanced level, the firm transitions to a phase of *Customer Relationship Marketing Strategies* it commits more efforts and more expenses to build loyalty (Reichheld et al, 2000). The three customer relationship strategies are (Best, 2009): 1. Mass-personalization	segment called "business traveler". The Personal Planning Service is a program launched to connect customers in this segment and build loyalty. By using multiple *customer touch points* this program has resulted in customers rating high in satisfaction level and spending an additional $100 per day in hotel amenities (Best, 2009, p. 169)	projected loyalty (p. 25): Strangers: low loyalty-low profitability True Friends: high loyalty-high profitability Butterflies: low loyalty- high profitability Barnacles: high loyalty-low profitability. The customer relationship strategies include "personalized communications, extra services, customized products and special price offerings" (Best, 2009, p 164) and become more specialized as higher value the customer and the

	2. Mass-customization 3. Customer relationship management (CRM). CRM is a program with selected customers, once the firm and the customer have both achieved a high value (Peppers & Rogers, 2006).		firm achieve.
5. Return on Investment in Marketing (ROI) (Rust et al, 2004; Gupta & Lehmann, 2008; Johnson & Gustaffson, 2000)	Return on Marketing is a controversial measure, given the difficulties in expressing in numerical terms some intangible aspects of the marketing activity (Armstrong & Kotler, 2008; Gupta & Lehmann, 2008). Defined as the "net return from a marketing investment divided by the cost of the marketing investment" (Armstrong & Kotler, 2008,	Studies conducted by Johnson and Gustafsson (2000) show that the NPV of customers in different industries will differ, e.g. online grocery customers are twice most costly than online electronics consumers; whereas online apparel consumers are most profitable.	In a simple definition, the shorter the customer life expectancy, the shorter the Net present value of the customer (Johnson & Gustaffson, 2000). Other measures include success in awareness, attitude and customer satisfaction (Gupta & Lehmann, 2006).

	p. 57). Rust, Lemon & Zeithamal (2004) include customer attraction, retention and lifetime value as a measure of marketing impact. Gupta and Lehmann (2006) proposed the use of Customer Lifetime Value CLV as a measure of value offered to the customers and value captured by the customers (See discussion in this taxonomy).		*Dashboards* are the practitioners' way to track relevant indicators such as customer value, brand funnel progression by regions, by customer (Armstrong & Kotler, 2008, p. 57).
6. Customer Life Time Value (CLV) (Gupta & Lehmann, 2003;2006)	Based on the works of Berger & Nasr (1998) and Gupta & Lehmann (2003). Customer lifetime value (CLV) is defined as the "present value of all future profits generated from a customer" (Gupta & Lehmann, 2003, p. 10) or "the	E*trade, CDnow, Amazon. Capital One, Ebay and Ameritrade are cited as examples of the application of CLV as an alternate measure of value (Gupta & Lehmann, 2003, p. 15). Using public financial	CLV-based valuations are recommended as a financial measure with as much relevance as Discounted Cash Flow (DCF), Price earning (P/E) ratio, customer counting and extrapolation (Gupta

	accumulated and appropriately discounted net contribution margin achieved per customer" (Berger & Nasr, 1998, p. 20). Gupta & Lehmann's (2003) formula for CLV is: $CLV = \sum_{t=1}^{\infty} \frac{m * r^t}{(1+i)^t} = m\left(\frac{r}{1+i-r}\right)$ m= Constant average margin. Annual revenue – operating expenses divided by # of customers (p. 11). i = discount rate (cost of borrowing or desired rate of return) r= constant retention rate in an assumed infinite horizon. The critical element is r/(1+i-r) or "margin multiple". A low risk firm, with high retention rate and low risk has a high margin multiple, and vice versa.	statements, Gupta and Lehmann (2003) used information of customer acquisition costs, annual margins and retention rates. As example E*trade's margin multiple was estimated in 5.59 in 2002, resulting in a CLV 3 times the acquisition cost. CDnow is an example of the opposite. Now disappeared from Internet, it invested heavily in customer acquisition with costs that were higher than the CLV (Gupta & Lehmann, 2003, p. 16). As a caution, various tests by Gupta & Lehmann (2003) show that growth rates of 4 percent are	& Lehmann, 2003). A modification of this formula includes an element of growth in the retention rate: $CLV = m\left(\frac{r}{1+i-r(1+g)}\right)$ Where g: constant growth rate per period. Three important limitations for CLV are identified (Gupta & Lehmann, 2006, p. 107): 1. Non suitable for businesses with high R&D investments. 2. Fail to capture customer value as a *real option value*. 3. Underestimates the network effects of Web 2.0 technologies.

	CLV has implications for the perception of marketing spending as an expense. If firms invest in acquiring and retaining customers to increase CLV and further increase shareholders' value, it should be treated as investment (Gupta & Lehmann, 2006, p. 105).	realistic; rates of 8 percent growth in an infinite length of estimation are not reliable and overvalued.	4. Margin will not necessarily increase at all times, given that customer mix will vary. The costs in the formula include sales, promotions to retain customers, not including acquisition costs and fixed costs (Gupta & Lehmann, 2003, p. 21).
7. Loyalty-based model (Best 2009; Reichheld et al, 2000)	Reichheld, Markey and Hopton (2000) propose a loyalty-based model based on first-order and second-order effects of the measurement of loyalty as a factor in profitability. The first-order effect is the measurement attached to loyalty as superior value indicator. The second-order effect is given by impacts on	Best (2009) developed a tri-fold model to manage customer loyalty through four interactions addressing the four CLS categories and four levels of profitability. Customers are divided in four groups based on profitability: top performers, high potentials, new	CLS is measured at each level of satisfaction in a 5 lykert-type scale from very satisfied to very dissatisfied, computing customer retention (Jones & Sasser, 1995) and customer recommendation (Reichheld et al, 2000).

	market share and revenues from repeat sales and referrals, reduction of acquisition costs and replacement, and increase in employees' retention (Reichheld et al, 2000; Best, 2009). Best (2009) developed a tri-fold model based on *Customer Loyalty Score* from Reichheld et al's (2000): *CLS = Customer satisfaction x customer retention x customer recommendation* This score results in four categories CLS categories: 1) Disqualifiers, 2) new, 3) repeat and 4) loyal that the firm needs to manage through targeted interactions	opportunities and non-profits (Nykamp, as cited by Best, 2009) ordered by degree of loyalty and profitability. Hence, four customer interactions are created (Best, 2009, p. 23): 1. Managed selection: for nonprofits. 2. Critical Care: for new opportunities. 3. Loyalty promotions: for high potentials 4. Loyalty program: for top performers.	Customer satisfaction is measured by the firm through surveys and competitive analysis (Jones & Sasser, 1995); customer retention is estimated from customer life expectancy rates (Best, 2009) and customer recommendation is measured using the *net promoter score:* *NPS = Promoters – Detractors.*

	(See example).		
8. Customer Retention Models (Dwyer, 1989; Best, 2009)	Models of customer retention (Dwyer , 1989) attempt to explain that a market-based management business views their customers not as "individual purchase transaction" but as long-life partners (Best, 2009). Retention rates based on the history of repeat purchases explain loyalty at some degree (Berger & Nasr, 1998, p. 19; Best, 2009, p. 16). In general *retention rate* is defined as: CR= 1 -1/n Where n= average customer life Hence, retention rates are linked to customer life expectancy and their degree of satisfaction. If customer-life	Gupta & Lehmann (2003) collected information for Ameritrade's account retention rate and found 94-95 percent (p.12). Best (2009) used the customer retention formula to estimate the impact of mature customers of the New York Times (longer than 24 months). CR = 1 -1/24 CR is used to compute loyalty rates and customer values.	Retention rates have impact on profitability because they both reduce the costs of maintenance and add profit for each new retained customer (Best, 2009). Some marketers assume that retention rates are assumed constant (Gupta & Lehmann, 2003), however they are exponentially related to customer life expectancy. The lifetime value of a customer may change depending on the mix of new and old customers in the portfolio (Best, 2009, p. 15-16).

	expectancy increases, retention rates increase (Clarke, as cited by Best, 2009) in the assumption that customers who stay do so voluntarily.		
9. Competitive-based view of Trust (Childers & Offstein, 2007; Dyer & Chu, 2003; Seidman, 2008)	*Trust (reliability and reputation)* is that unique intangible resource providing competitive advantage (RBV) and mitigation of possible hazards and transactions costs (TCE). The RBV uses *trust* as a resource that provides competitive advantage as possible *first movers* (Childers and Offstein, 2007, p. 48). Trust is also acknowledged for reducing the transaction costs (Seidman, 2008). Dyer and Chu (2003) explained the	Amazon is an example of how internal and external trust worked to solidify its presence in e-commerce and reduce the TCE of opportunism (Childers & Offstein, 2097, p. 46). Peeples (2002) studied Wal-mart ecommerce ventures and contended that despite their external trust, name and reputation, they failed in internal trust, choosing a wrong model of ecommerce: free internet service and excessive marketing	Trust is proposed as a governance mechanism (Seidman, 2008). Trust in business relies on two aspects: *Internal trust* to establish relationships within key staff, promoting diversity, and knowledge sharing (Kanter as cited by Childers & Offstein, 2007). *External trust* in relationships with customers and providers to reduce their anxiety and concerns (Ouchi as cited in Childers & Offstein,

	relationship between trust and transaction costs: the higher the level of distrust, the higher the transaction costs (selection, negotiation, compliance) of the deals (Seidman, 2008, p. 160). Trust generates value-creating behaviors (Dyer and Chu, 2003) such as "willingness to share information among business partners" which in turns generates more trust (Seidman, 2008, p. 160).	expenditure. Priceline failed in external trust (2000) when excessive complaints about non responsive calls ended with the withdrawal of their membership to the BBB in Connecticut (Fowler, 2002).	2007). Trust has also been linked to increased risk-taking, innovations in viral marketing where firms trust customers' influence on brand awareness; and ultimately, progress and prosperity (Seidman, 2008).
10. Eye Ball Approach to Value Growth Firms (Demers & Lev, 2001; Gupta & Lehmann, 2006)	The eye-ball approach (Gupta & Lehmann, 2006, p. 91) to measure the value of dot.coms (growth firms) was one of the most accepted methods in the 90s and is based on the number of	The Eye-ball approach explained share prices for 84 Internet companies between 1999 and 2000, before and after the dot.coms fall. A study by Gupta & Lehmann	Despite its active use during the 90s as a complement to formal financial measures, it has been highly criticized by financial analysts, after the dot.coms debacle

	customers or eyeballs in a site. Demers and Lev (2001) found that non financial measures of *reach* and *stickiness* were better explanatory variables of share price of dot.coms when revenue was not sufficient. Reach is defined as *number of unique visitors (Demers & Lev, 2001),* whereas stickiness is the ability of the website to retain customers (Demes & Lev, 2001).	(2003) on CDNow revenue per customer, demonstrated that the expansion of a customer base might ultimately decrease the margin per customer, given that the new customers may not spend marginally as much as the mature ones (p. 11).	of late 90s (Gupta & Lehmann, 2006). Customer acquisition is critical to expansion (Best, 2009) but it requires careful tracking of the acquisition costs (Gupta & Lehmann, 2003). This may be achieved by managing customer mix and cross-sell between segments when expanding.

IV. Behavioral Models

Theory	Description	Examples of the Theory	Additional Attributes
11. Network Analysis Theory *(Chandler, 2008; Earls, 2003)*	Network analysis theory contends that individuals in a network show patterns of behavior closely related to their ties with other members in it (Freeman, as cited by	A study conducted to estimate the market value of eBay resulted in an underestimation given the inability of capturing network effects, as	Identifying the type of networks, the barriers of access to the networks and understanding the behavior of their participants will

	Chandler, 2008). Applied to marketing, Earls (2003) proposes a shift from the idea of the customer as an individual towards customer as part of a herd or “member of a tribe” (Cooke & Buckley, 2008, p. 274). Another potential application of this theory is in the enhancement of the CLV model, which does not include the impact of buzz-marketing, network-based communities (myspace.com, facebook), word of mouth and customer networks, undervaluing the network effects (Gupta & Lehmann, 2006).	Gupta & Lehmann (2006) acknowledged openly as a limitation of their 2003 research.	contribute to increase the understanding of value (Gupta & Lehmann, 2007, p. 107). Network Analysis has been used in studies of leadership theories of attribution (McElroy & Shrader, 1986) and also in network integration (Lynch and Somerville, 1996) “market-driven, customer-centered, payer-friendly, simple to operate” (par 22).

12. Customer Behavior Theory *(Berger & Nasr, 1998; Peter & Donnelly, 2006;*	No unique theory of behavior is able to explain how firms approach consumer behavior and understand how individuals make buying decisions. This theory is used for segmentation, targeting and strategy. A model developed by Peter & Donnelly (2008) proposes four influencing factors in the buying process: social, marketing, situational and psychological. This typology acknowledges that social class, reference groups, product characteristics, the information flow, risk level and uncertainty affect buyers at different stages of decision making. Given the complexity of consumer	A taxonomy of customer behavior for industrial buyers classified them in *lost-for-good* and *always-a-share* (Berger & Nasr, 1998, p. 19). Nine American culture values such as achievement, freedom, individualism, fitness and health and comfort were included in a taxonomy of behaviors (Schiffman & Kanuck (as cited in Peter & Donnelly, 2006). “Macolytes” for fanatics of Apple® products; “value seeking moms” for Champion ® female customers with high interest in active wear but low interest in sports; or “super fans” for	*Lost-for-good* customers are in either of two extremes of their commitment to the firm, 100 percent or 0 percent. *Always-a-share* customers flip between different firms based on switching costs (Berger & Nasr, 1998). Other behavioral segmentations propose using: occasions, benefits sought, user status, usage rate and loyalty status to build segments of customers (Armstrong & Kotler, 2008, p. 171). Behavioral Targeting is used by marketers to track browsing

	behavior, firms must use caution to increase the expectations of customers in the pre-purchase phase that may result in post-purchase dissatisfaction, *disconfirmation paradigm* and *cognitive dissonance* (Peter & Donnelly, 2006).	males between 18 to 34 years old who eat “monster” whopper® burgers (Armstrong & Kotler, 2008, p.172) are examples of customer behavior theory applications to marketing.	behavior on the web to determine the targets of designed ads (Armstrong & Kotler, 2008, p. 123).
13. Theory of Customer Satisfaction (Naumann & Jackson, 1999; Jones & Sasser, 1995; Reichheld & Markey, 2000)	Marketing strategies that aim at customer satisfaction have an underlying purpose, boosting customer retention and customer life expectancy (Best, 2009; Naumann & Jackson, 1999). Jones and Sasser (1995) contended that the belief of a direct relationship between satisfaction and loyalty is faulty. Customer satisfaction is affected by four factors (Jones & Sasser, 1995):	Manipulation of satisfaction rates is reported especially in the auto industry. In a qualitative research conducted by Reichheld et al(2000) Toyota representatives accepted having inflated satisfaction rates to keep their positions. In a study about relationship between satisfaction and loyalty in the different industries, Jones and	The satisfaction trap (Reichheld & Markey, 2000) by which high satisfaction rates are manipulated by account managers and sales people to keep their jobs and commissions, is one of the drawbacks of satisfaction measurement. At the other hand, the low interest manipulation of satisfaction scores

	• Expectations over basic elements of product or service • Expectations over basic support services (customer assistance, order tracking) that increase effectiveness and ease of use. • Recovery process to overcome bad experiences • Excellent service that focuses on customization in value delivery. Only totally satisfied customers are fully loyal (Jones & Sasser, 1995), therefore if customers are only "satisfied" the relationship with loyalty will be weak especially in highly competitive markets. Dissatisfaction may derive from	Sasser (1995) found a strongly direct relationship between loyalty and level of satisfaction in the industry of business equipment, financial services and retailing. Managers and marketers require to collect information about customer satisfaction in a reliable and consistent manner, measuring relevant aspects to support decision-making in programs of satisfaction improvement (Jones & Sasser, 1995). Dissatisfied customers who are listened to also help profitability. Domino's Pizza started a program to	hinders any attempt of quantitative measure (Reichheld et al, 2000). Competitiveness is also a factor in interpreting satisfaction: In highly competitive markets top satisfaction will differ greatly from flat satisfaction rates. Instead, in non-competitive markets, customers are anchored to a unique provider, so even a poor service retains them (Jones & Sasser, 1995) Firms with dissatisfied customers are better off listening to them with the intent of solving their problems and reducing their likelihood of walking out with risk of reputation

	"difficult-to-serve" customers erroneously attracted to the firm, in which case high quality of service will not be sufficient (Jones & Sasser, 1995). Identifying dissatisfied customers for elimination before they become "customer terrorists" is suggested as a strategy to increase the net marketing contribution of a firm (Best, 2009, p. 12)	ask dissatisfied customers to complain; resulting in a resolution rate of 80 percent that yields 95% of retention in complaining customers (Best, 2009, p. 12)	damage (Best, 2009, p. 12)

V. *Target Marketing Models*

Theory	Description	Examples of the Theory	Additional Attributes
14. Behavioral Targeting *(Armstrong & Kotler, 2008; Krol, 2008)*	Emerging philosophy based on the digital exposure of customers on the web, the documentation of their browsing behaviors, processing and mining of data	Google has reported revenues of $10 billion from search-related advertising, and Yahoo! Has estimated a total of 131 million	Firms with indirect channels of distribution use behavioral targeting to track responses to previous campaigns rather than

	for marketing purposes (Armstrong & Kotler, 2008, p. 122). Few scholarly references were found, rather information is based on specialty publications on B2B. Supporters highlight the "person-centric marketing" approach of creating brand advertising strategies that are relevant to consumers based on their tastes (Armstrong & Kotler, 2008). Supported by Web analytics and technology this type of targeting is aimed at understanding buyer's engagement (Krol, 2007). Highly complex, behavioral targeting may generate thousands of segments of	monthly unique visitors (*reach*) and 12 terabytes of user information flowing into Yahoo! server every day (Fayyad, as cited by Armstrong & Kotler, 2008, p. 122). Forrester Research reported in their Q4 marketing benchmark survey that the rate of use of behavioral targeting is 14 percent among b2b marketers (Krol, 2007). Cisco Systems used 50,000 segments of behavior to launch a new page of financial services with vertical application that maintained the customer within the frame of interest (Krol, 2007).	buying habits (Krol, 2007). Critiques to behavioral targeting include non-consented eavesdropping, stalking, stealth marketing, manipulation (Armstrong & Kotler, 2008) and privacy concerns that are addressed by the U.S. Federal Trade Commission FTC. The FTC seeks to understand how firms use data obtained through behavioral targeting and the implications for firms conducting these activities (Krol, 2007).

	customer behavior that require processing and discrimination (Kushner, as cited by Krol, 2007).		

VI. Pricing Models

Theory	Description	Examples of the Theory	Additional Attributes
15. Value-based pricing (Armstrong & Kotler, 2008; Best, 2009)	Discussed by Best (2009) and Armstrong and Kotler (2008), value-based pricing strategies are based on what the buyer perceives as value instead of the cost structure (Armstrong & Kotler, 2008, p. 260). It integrates customer needs, price sensitivity and competing products (Best, 2009) in three forms: Value-in-use pricing, perceived-value pricing and performance-based pricing.	Example of value-in use pricing are computers who are sold at premium prices because of the underlying benefits in savings through their useful life (Best, 2009, p. 245) rather than the cost of manufacturing. Setting perceived-value pricing require computation of the competitive advantage in each the	In value-in use pricing firms work to increase the perception of savings by the consumer to encourage payment of the premium price. In perceived-value pricing, firms must work in accurate communication so the perceived benefits about product, brand and service are reflected in the “voice

	1. Value-in-use pricing: Based on "total value of ownership benefits and all the ownership costs". This strategy requires life-cycle cost *(purchase cost)* analysis and different scenarios to compare the competitor's price and the firm's price and determine savings (Best, 2009, p. 245). 2. Perceived-value pricing: Based on the relative value given by customers when comparing competitors' price and benefits. It is usually higher than the value-in use pricing level (Best, 2009, p. 246). 3. Performance-based pricing: Based on a combination of preferences of	perception of product, service and brand benefit. A matrix quantifies the competing price, the company price, the price premium and the customer value price, which is usually higher than the price premium. Setting performance-based pricing requires a sophisticated analysis to capture each possible alternative of performance of a product and the customer's preference; next the firm compares the price/driver of performance on the competitor's side and defines a scenario of prices.	of the customer". In performance-based pricing, the key is an accurate analysis of performance vs price. The quantification is complex and requires full understanding of the positioning of the firm. (Best, 2009, p. 251)

	customers for fair prices and quality performance. It requires the use of *conjoint measurement software* (Best, 2009, p. 244) to determine the value-advantage.		

VII. Communication Models

Theory	Description	Examples of the Theory	Additional Attributes
16. Customer Advocacy and Interactive Marketing (Seidman, 2008)	The use of the internet has increased the speed of the traditional word-of-mouth into the digital economy (Seidman, 2008, p. 139). Traditional strategies of brand awareness and brand image, were the goals of marketers in the 70s, but in the 21st century blogs and boards complement mass marketing strategies.	Yelp in 2004 was the first form of digital community base on OWOM (online word of mouse) a form of customer advocacy that relied on web 2.0 technologies (blogs and news readers) to leverage movie reviews (Seidman, 2008, p. 140). According to reports by the	The usefulness of customer advocacy sites is downplayed by some factors: (1) Infiltration of non-supported ratings from individuals with not registered transactions with the subject. (2) Anonymity of raters:

	Customer advocacy uses the network theory to link customers of similar interests (Armstrong & Kotler, 2008). Also called *dialogic marketing* (Seidman, 2008, p. 142) Online word of mouth (OWOM) provides transparency in identifying the context of ratings (customer service, quality of the product or others) and spans longitudinally across time and sites.	Newspaper Association of America in 2005, the decrease in advertisement using traditional media is 5 percent annually (Seidman, 2008, p. 141) whereas interactive marketing is estimated to grow at 30 percent to $12.5 billion.	Usually downplays the usefulness of these sites (Alfaro, as cited by Lapp, 2007). (3) Stealth marketing or non-authorized use of customers information to sell it to third parties. (4) Infiltration of fake customers who are given incentives by marketers to buzz about products.
17. Social Networking Models (Cooke & Buckley, 2008)	Web 2.0 is defined as an “architecture or participation” (O’Reilly, as cited by Cooke & Buckley, 2008, p. 277) where individuals collaborate and publish information online. Called also “social software” is a tool that combines web	Social networking connects advertisers to customers who idealize what they want from their products, expressed by Phillip Rosedale, founder of Second Life. This channel is used by Google and	The use of social networks is said to use modify the “push” strategy towards a “pull” strategy (Cooke & Buckley, 2008). Firms can not only test virtual prototypes of new products but test

	pages, blogs, emails, instant messaging and wiki pages (Cooke & Buckley, 2008) Webb (2004, as cited by Cooke & Buckley, 2008, p. 280) has identified key characteristics of web 2.0, including: identity, presence, conversations, relationship building, sharing and reputation.	Second Life, where customers access to a new "ecosystem" (Brin, 2006 as cited by Cooke & Buckley, 2008). Toyota, Dell, and Lego are using Second life as an environment to experiment with their customers and let them build and experience their products (Cooke & Buckley, 2008).	market them using open sources (Cooke & Buckley, 2008, p. 276). Used increasingly in brand marketing and acknowledged by the Association of National Advertisers (2006) as an alternative to the phenomenon of media fragmentation of the past 30 years.

VIII. Market Research Models

Theory	Description	Examples of the Theory	Additional Attributes
18. Taxonomy of Marketing Research (Hair et al, 2003;Sherier & Woods,	Marketing research is a function that bridges the firm to the market (Hair et al, 2003). Traditionally market research has sought understanding behaviors and now	Tickets Now is an example of the use of market research in decision-making. A situational analysis was conducted to determine the	By using disruptive technologies firms are to move from on-site to online research. Market research departments

1948)	is expanding towards unconscious and emotional expressions of customers (Armstrong & Kotler, 2008). Seminal work by Shreier & Wood (1948) tried to explain "why" consumers acted the way they did, and used motivation analysis for this purpose. Acknowledging that subjective and objective motivations were not sufficient, these authors proposed a model to value the surplus of preference of one brand over the other based on motivations. Market analysis has expanded from that view and now uses information systems to obtain information that is aligned to four strategic areas (Hair et al, 2003):	dynamics of the secondary ticket market, and educate their single-event customers about the premiums involved in it. Through data analysis of their visitors, customers and members of a special program, they designed a marketing strategy based on reward programs and customer migration programs. The development of the program targeted their single customers to move then to repeat buyers and from single-category buyer to a multicategory buyer (Krell, 2008, p. 44). Finally they mine the data permanently to control the	usually overload managers with excessive data, or send metrics that are not relevant. In other cases, managers focus on the financial performance metrics isolating the operational and value domains (D'Antonio, 2008). Beyond that, some firms leaders in data warehousing have identified that interpreting metrics is not the exclusive issues, but the behaviors tied to the metric, such as internal conflicts between functions, departments and employees. Cooke and Buckley (2008), Armstrong & Kotler (2008) and

	1. market situation analysis 2. marketing strategy design 3. marketing program development 4. strategy implementation and control.	realization of the expected migrations.	defined customers insights as the "understanding of customers and their marketplace derived from marketing information" (p. 97). Its main purpose is achieve return on marketing investment (Armstrong & Kotler, 2008, p 57).

IX. Channel Management Models

Theory	Description	Examples of the Theory	Additional Attributes
19. Model of retail selection process for Multi-channel retailers *(Nikolaeva, 2005).*	This model combines psychological characteristics of the online customer with strategy of the organization (Nikolaeva, 2008, p. 114). Nikolaeva's model explains the success of multi-channel retailers through two	Quantitative studies have shown that media presence and not brand equity, order of entry and off-line advertising were significant websites traffic drivers (Nikolaeva, 2005).	Firms have to define if the Internet will be just one more channel in the business strategy of the firm. Nikolaeva found evidence that expensive advertising campaigns may not guarantee e-tailers

	factors: E-tailer features and site visibility enhancers. E-retailer success is explained by *E-tailer features such* as order of entry, channels, product type and assortment. Site *visibility enhancers* such as advertising, media coverage and portal alliances are the second set of factors. Nikolaeva (2005) found that when e-retailers are successful brick-and-mortar firms, their performance is better because of the power of their brand and their customer relationship strategies.	An example of the integration of online and onsite channels is Wal-Mart, with the site-to-store program that integrates two siloed channels driving customers into the store (walmart.com). A survey by Epsilon/Gfk reported that 73 percent of marketers use cross-channel campaigns (Nedelka, 2008).	permanence in the market, instead media coverage provides better results. One critique to this model is the trap of using traffic as an indicator of expected profitability of e-tailers, as efforts to drive new customers may exceed the profit per customer and result in long-term loss (Gupta & Lehmann, 2003).

Conclusions

This document presented a relation of 20 relationship marketing theories and models based on germinal and current research, covering a breadth of topics, from aspects of strategic marketing and customer relationship; a discussion on product, pricing, promotion and place was included, as well as the developments in new media and social networking. The selection of these theories was based on the linkages of customer relationship marketing, firm value and customer value. Theories, models and frameworks related to customer value and loyalty-based management and networking were addressed to provide insights to practitioners, scholars and leaders about the need to work jointly on meaningful research to advance market-based management.

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